

Message Text

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SUBJECT: G-10 COMMUNIQUE

1. THE FOLLOWING IS THE TEXT OF THE COMMUNIQUE OF THE
MINISTERIAL MEETING OF THE GROUP OF TEN HELD IN WASHINGTON
ON JANUARY 14 AND 16, 1975: QUOTE

1. THE MINISTERS AND CENTRAL BANK GOVERNORS OF THE TEN
COUNTRIES PARTICIPATING IN THE GENERAL ARRANGEMENTS TO
BORROW MET IN WASHINGTON ON THE 14TH AND 16TH OF JANUARY,
1975, UNDER THE CHAIRMANSHIP OF MR. MASAYOSHI OHIRA,
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MINISTER OF FINANCE OF JAPAN.

THE MANAGING DIRECTOR OF THE INTERNATIONAL MONETARY

FUND, MR. H.J. WITTEVEEN, TOOK PART IN THE MEETINGS, WHICH WERE ALSO ATTENDED BY THE PRESIDENT OF THE SWISS NATIONAL BANK, MR. F. LEUTWILER, THE SECRETARY-GENERAL OF THE OECD, MR. E. VAN LENNEP, THE GENERAL MANAGER OF THE BANK FOR INTERNATIONAL SETTLEMENTS, MR. R. LARRE, AND THE VICE-PRESIDENT OF THE COMMISSION OF THE E.C.E.C., MR. W. HAER-KAMP.

2. AFTER HEARING A REPORT FROM THE CHAIRMAN OF THEIR DEPUTIES, MR. RINALDO OSSOLA, THE MINISTERS AND GOVERNORS AGREED THAT A SOLIDARITY FUND, A NEW FINANCIAL SUPPORT AGREEMENT, OPEN TO ALL MEMBERS OF THE OECD, SHOULD BE ESTABLISHED AT THE EARLIEST POSSIBLE DATE, TO BE AVAILABLE FOR A PERIOD OF TWO YEARS. EACH PARTICIPANT WILL HAVE A QUOTA WHICH WILL SERVE TO DETERMINE ITS OBLIGATIONS AND BORROWING RIGHTS AND ITS RELATIVE WEIGHT FOR VOTING PURPOSES. THE DISTRIBUTION OF QUOTAS WILL BE BASED MAINLY ON GNP AND FOREIGN TRADE. THE TOTAL OF ALL PARTICIPANTS' QUOTAS WILL BE APPROXIMATELY \$25 BILLION.

3. THE AIM OF THIS ARRANGEMENT IS TO SUPPORT THE DETERMINATION OF PARTICIPATING COUNTRIES TO PURSUE APPROPRIATE DOMESTIC AND INTERNATIONAL ECONOMIC POLICIES, INCLUDING COOPERATIVE POLICIES TO ENCOURAGE THE INCREASED PRODUCTION AND CONSERVATION OF ENERGY. IT WAS AGREED THAT THIS ARRANGEMENT WILL BE A SAFETY NET, TO BE USED AS A LAST RESORT. PARTICIPANTS REQUESTING LOANS UNDER THE NEW ARRANGEMENT WILL BE REQUIRED TO SHOW THAT THEY ARE ENCOUNTERING SERIOUS BALANCE OF PAYMENTS DIFFICULTIES AND ARE MAKING THE FULLEST APPROPRIATE USE OF THEIR OWN RESERVES AND OF RESOURCES AVAILABLE TO THEM THROUGH OTHER CHANNELS. ALL LOANS MADE THROUGH THIS ARRANGEMENT WILL BE SUBJECT TO APPROPRIATE ECONOMIC POLICY CONDITIONS. IT WAS ALSO AGREED THAT ALL PARTICIPANTS WILL JOINTLY SHARE THE DEFAULT RISKS ON LOANS UNDER THE ARRANGEMENT IN PROPORTION TO, AND UP TO THE LIMITS OF, THEIR QUOTAS.

4. IN RESPONSE TO A REQUEST BY A PARTICIPANT FOR A LOAN,
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THE OTHER PARTICIPANTS WILL TAKE A DECISION, BY A TWO-THIRDS MAJORITY, ON THE GRANTING OF THE LOAN AND ITS TERMS AND CONDITIONS, IN THE CASE OF LOANS UP TO THE QUOTA, AND AS TO WHETHER, FOR BALANCE-OF-PAYMENTS REASONS, ANY COUNTRY SHOULD NOT BE REQUIRED TO MAKE A DIRECT CONTRIBUTION IN THE CASE OF ANY LOAN. THE GRANTING OF A LOAN IN EXCESS OF THE QUOTA AND UP TO 200 PERCENT OF THE QUOTA WILL REQUIRE A VERY STRONG MAJORITY AND BEYOND THAT WILL REQUIRE A UNANIMOUS DECISION. IF ONE OR MORE PARTICIPANTS ARE NOT REQUIRED TO CONTRIBUTE TO THE

FINANCING OF A LOAN, THE REQUIREMENTS FOR APPROVAL OF THE LOAN MUST ALSO BE MET WITH RESPECT TO THE CONTRIBUTING PARTICIPANTS.

5. FURTHER WORK IS NEEDED TO DETERMINE FINANCING METHODS. THESE MIGHT INCLUDE DIRECT CONTRIBUTIONS AND/OR JOINT BORROWING IN CAPITAL MARKETS. UNTIL THE FULL ESTABLISHMENT OF THE NEW ARRANGEMENT, THERE MIGHT ALSO BE TEMPORARY FINANCING THROUGH CREDIT ARRANGEMENTS BETWEEN CENTRAL BANKS.

6. MINISTERS AND GOVERNORS AGREED TO RECOMMEND THE IMMEDIATE ESTABLISHMENT OF AN AD HOC OECD WORKING GROUP, WITH REPRESENTATIVES FROM ALL INTERESTED OECD COUNTRIES, TO PREPARE A DRAFT AGREEMENT IN LINE WITH THE ABOVE PRINCIPLES. IN THEIR VIEW THIS WORK SHOULD BE CONCLUDED IN TIME TO PERMIT APPROVAL BY THE OECD COUNCIL BY THE END OF FEBRUARY, 1975. KISSINGER

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